

City of

OKMULGEE

Oklahoma



**ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**



THE CITY OF OKMULGEE, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Okmulgee, Oklahoma

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Okmulgee, Oklahoma (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

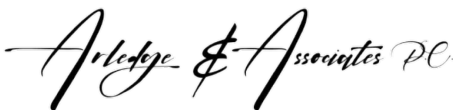
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and the pension plan schedules, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2024, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.



Edmond, Oklahoma
March 8, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Okmulgee’s financial performance provides an overview of the City’s financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2023, the City’s total net position increased \$5,684,090 or 9.2% from the prior year.
- During the year, the City’s expenses for governmental activities were \$9,383,073 and were funded by program revenues of \$1,892,625 and further funded with taxes and other general revenues that totaled \$11,469,739 excluding net transfers.
- In the City’s business-type activities, such as utilities, total program revenues exceeded expenses by \$1,251,871.
- At June 30, 2023, the General Fund reported an unassigned fund balance of \$10,364,127, which is an increase of 19.2% from the prior year unassigned fund balance.
- For budgetary reporting purposes, the General Fund reported revenues under estimates by \$647,576 or 5.6%, while expenditures were under the final appropriations by \$2,286,900 or 19.6%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Okmulgee (the “City”) and its component units using the integrated approach as prescribed by GASB Statements. Included in this report are government-wide statements for each of three categories of activities – governmental, business-type and the discretely-presented component unit. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) and deferred outflows, as well as all liabilities (including all long-term debt) and deferred inflows.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the most frequently asked questions about the City’s finances is, “Has the City’s overall financial condition improved, declined or remained steady over the past year?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City’s net position and changes in it from the prior year. You can think of the City’s net position – the residual difference between assets, deferred outflows, liabilities and deferred inflows – as one way to measure the City’s financial condition. Over time, increases or decreases in the City’s net position is one indicator of whether its financial health is improving, deteriorating, or remaining steady. However, you must consider other nonfinancial factors, such as changes in the City’s tax base, the condition of the City’s roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- Governmental activities – Most of the City’s basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City’s water, wastewater, sanitation, airport and economic development activities are reported here.
- Discretely-presented component unit – This accounts for activities of the City’s reporting entity that do not meet the criteria for blending. The City’s discretely-presented component unit reports parking activities.

Reporting the City’s Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds - Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic service it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds - When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. In fact, the City’s enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2022**

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City’s combined net position increased from \$61,785,899 to \$67,469,989 between fiscal years 2022 and 2023. Looking at the net position of governmental and business-type activities separately, governmental activities increased \$2,139,418 while business-type activities increased \$3,544,672.

**TABLE 1
NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
Current assets	\$ 14,226	\$ 12,314	16%	\$ 13,296	\$ 12,084	10%	\$ 27,522	\$ 24,398	13%
Capital assets, net	10,794	10,942	-1%	60,332	62,894	-4%	71,126	73,836	-4%
Other non-current assets	216	2,752	-92%	-	1,917	-100%	216	4,669	-95%
Total assets	25,236	26,008	-3%	73,628	76,895	-4%	98,864	102,903	-4%
Deferred outflows	2,678	1,562	71%	1,531	1,122	36%	4,209	2,684	57%
Current liabilities	284	480	-41%	5,874	6,182	-5%	6,158	6,662	-8%
Non-current liabilities	5,104	3,110	64%	23,056	27,994	-18%	28,160	31,104	-9%
Total liabilities	5,388	3,590	50%	28,930	34,176	-15%	34,318	37,766	-9%
Deferred inflows	568	4,162	-86%	717	1,873	-62%	1,285	6,035	-79%
Net position									
Net investment in capital assets	10,622	10,666	-	36,680	34,524	6%	47,302	45,190	5%
Restricted	376	443	-15%	833	481	73%	1,209	924	31%
Unrestricted	10,960	8,709	26%	7,999	6,963	15%	18,959	15,672	21%
Total net position	\$ 21,958	\$ 19,818	11%	\$ 45,512	\$ 41,968	8%	\$ 67,470	\$ 61,786	9%

The largest portion of the City’s net position reflects its net investment in capital assets. This year, the net investment in capital assets amounts to approximately \$47 million. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate those liabilities.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2022**

Changes in Net Position

For the year ended June 30, 2023, net position of the primary government changed as follows:

**TABLE 2
CHANGES IN NET POSITION (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2023	2022		2023	2022		2023	2022	
Revenues									
Charges for services	\$ 877	\$ 892	-2%	\$ 11,111	\$ 11,069	-	\$ 11,988	\$ 11,961	-
Operating grants and contributions	860	464	85%	-	-	-	860	464	85%
Capital grants and contributions	156	124	26%	45	916	-95%	201	1,040	-81%
Taxes	9,770	9,781	-	-	-	-	9,770	9,781	-
Intergovernmental revenue	1,209	1,214	-	-	-	-	1,209	1,214	-
Investment income	241	(405)	-160%	151	7	2057%	392	(398)	-198%
Miscellaneous	250	300	-17%	302	211	43%	552	511	8%
Total revenues	13,363	12,370	8%	11,609	12,203	-5%	24,972	24,573	2%
Expenses									
General government	2,286	1,747	31%	-	-	-	2,286	1,747	31%
Public safety	4,913	3,900	26%	-	-	-	4,913	3,900	26%
Streets	848	889	-5%	-	-	-	848	889	-5%
Culture, parks and recreation	859	784	10%	-	-	-	859	784	10%
Community development	471	451	4%	-	-	-	471	451	4%
Water	-	-	-	3,913	3,607	8%	3,913	3,607	8%
Wastewater	-	-	-	3,305	3,198	3%	3,305	3,198	3%
Sanitation	-	-	-	1,871	1,627	15%	1,871	1,627	15%
Economic development	-	-	-	52	47	11%	52	47	11%
Airport	-	-	-	681	635	7%	681	635	7%
Interest charge - governmental activities	6	9	-33%	83	96	-14%	89	105	-15%
Total expenses	9,383	7,780	21%	9,905	9,210	8%	19,288	16,990	14%
Excess (deficiency) before transfers	3,980	4,590	-13%	1,704	2,993	-43%	5,684	7,583	-25%
Transfers	(1,840)	(1,400)	-31%	1,840	1,400	31%	-	-	-
Change in net position	2,140	3,190	-33%	3,544	4,393	-19%	5,684	7,583	-25%
Beginning net position	19,818	16,628	19%	41,968	37,575	12%	61,786	54,203	14%
Ending net position	\$ 21,958	\$ 19,818	11%	\$ 45,512	\$ 41,968	8%	\$ 67,470	\$ 61,786	9%

In the City's governmental activities, operating grants and contributions increased significantly from prior year due to a Hazard Mitigation grant of \$211,500, along with a \$117,543 increase in on-behalf payments made by the state from the prior year.

Business-type activities' capital grants and contributions decreased significantly due to an FAA Airport Grant of \$466,498 received in the prior year, along with \$444,500 of OWRB debt forgiven in the prior year.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2023 fiscal year, the governmental funds reported a combined fund balance of \$13,578,999 or a 15.1% increase from the prior year. The enterprise funds reported total net position of \$45,512,328 or an 8.4% increase from the prior year.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2022**

Other fund highlights include:

- For the year ended June 30, 2023, the General Fund’s total fund balance increased by \$1,589,046 or 18%.
- The Dedicated Sales Tax Fund’s total fund balance increased by \$13,926 or 4.7%.
- The Okmulgee Community Trust Fund’s total fund balance increased by \$182,424 or 6.9%.

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City’s taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended June 30, 2023, the City’s governmental activities were funded as follows:

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense		% Inc. (Dec.)	Net Revenue (Expense)		% Inc. (Dec.)
	of Services			of Services		
	2023	2022		2023	2022	
General government	\$ 2,286	\$ 1,747	31%	\$ (2,049)	\$ (1,598)	28%
Public safety	4,913	3,900	26%	(3,878)	(3,227)	20%
Streets	848	889	-5%	(463)	(486)	-5%
Culture, parks and recreation	859	783	10%	(624)	(528)	18%
Community development	471	451	4%	(471)	(451)	4%
Interest on Long-term debt	6	9	-33%	(6)	(9)	-33%
Total	\$ 9,383	\$ 7,779	21%	\$ (7,491)	\$ (6,299)	19%

For the year ended June 30, 2023, total expenses for governmental activities amounted to \$9,383,073. Of these total expenses, those directly benefiting from the programs funded \$1,015,863 from grants and other contributions and \$876,762 from charges for services, while taxpayers and other general revenues funded the remaining \$11,469,739, excluding transfers.

Business-type Activities

In reviewing the business-type activities net expense/revenue, the following highlights should be noted:

- Total business-type activities reported net revenues of \$1,251,871 for the year ended June 30, 2023.
- All individual activities reported net expenses for the year ended June 30, 2023, with the exception of water and sanitation, which reported net revenues of \$2,180,114 and \$838,734, respectively.

**CITY OF OKMULGEE, OKLAHOMA
MANAGEMENT DISCUSSION & ANALYSIS
As of and for the year ended June 30, 2022**

**TABLE 4
Net Revenue (Expense) of Business-Type Activities
(In Thousands)**

	<u>Total Expense of Services</u>		<u>% Inc. Dec.</u>	<u>Net Revenue (Expense) of Services</u>		<u>% Inc. Dec.</u>
	<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>	
	Water	\$ 3,913		\$ 3,607	8%	
Sewer	3,305	3,198	3%	(1,243)	(731)	70%
Sanitation	1,871	1,627	15%	839	991	-15%
Economic development	52	47	11%	(52)	(47)	11%
Airport	681	635	7%	(398)	96	-515%
Interest charges - governmental activities	83	96	-14%	(83)	(96)	-14%
Total	\$ 9,905	\$ 9,210	8%	\$ 1,253	\$ 2,775	-55%

Budgetary Highlights

For the year ended June 30, 2023, the General Fund reported actual budgetary basis revenues under final estimates by \$647,576 or a 5.6% negative variance. General Fund actual expenditures were under final appropriations by \$2,286,900 or a 19.6% positive variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2023, the City had \$71,125,443 invested in capital assets, net of depreciation, including police and fire equipment, buildings, park facilities, water lines and sewer lines. (See table below). This represents a decrease of approximately \$2,710,995 or 3.7% from last year.

**TABLE 5
Capital Assets
(In Thousands)
(Net of accumulated depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	Land	\$ 300	\$ 89	\$ 3,701	\$ 3,701	\$ 4,001
Buildings	1,716	1,897	794	862	2,510	2,759
Imp. other than buildings	1,923	2,020	-	-	1,923	2,020
Infrastructure	5,276	5,381	54,170	56,449	59,446	61,830
Machinery, furniture and equipment	1,579	1,555	1,667	1,882	3,246	3,437
Totals	\$ 10,794	\$ 10,942	\$ 60,332	\$ 62,894	\$ 71,126	\$ 73,836

This year’s more significant capital asset additions included:

- Property Purchase: Oakwood Addn II OKM Lot 2 Blk 1
- 2023 John Deere Excavator for Street Dept
- FY23 Street Improvements
- FY23 DWSRF Water Line Project
- Hyster H60XT Lift Truck
- John Deere 35G Compact Excavator for Water and Sewer Dept

See Note 5 to the financial statements for more detailed information on the City’s capital assets and changes therein.

Long- Term Debt

At year-end, the City had \$29,143,911 in long-term debt outstanding which represents a \$5,221,480 or 15.2% decrease from the prior year. The City’s changes in long-term debt by type of debt are as follows:

**TABLE 6
Long-Term Debt
(In Thousands)**

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2022-2023</u>
Accrued absences	\$ 667	\$ 665	\$ 179	\$ 210	\$ 846	\$ 875	-3%
Meter deposit liability	-	-	442	430	442	430	3%
Notes payable	172	276	25,904	31,219	26,076	31,495	-17%
Landfill closure liability	-	-	1,780	1,565	1,780	1,565	14%
Totals	<u>\$ 839</u>	<u>\$ 941</u>	<u>\$ 28,305</u>	<u>\$ 33,424</u>	<u>\$ 29,144</u>	<u>\$ 34,365</u>	-15%

See Note 6 to the financial statements for more detailed information on the City’s long-term debt and changes therein.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

During this fiscal year the city showed a decrease in the State Sales Tax collections by approximately 4%, and Use Tax collections were up by approximately 20% for the City of Okmulgee from FY 21/22 to FY 22/23. Cities in Oklahoma are almost totally dependent on Sales and Use Tax to fund their operations and most cities, including the City of Okmulgee depend on Sales and Use Tax to pay for Capital Improvements as well.

The Okmulgee Municipal Authority in FY 22/23 raised commercial water rates by adding \$1.00 to the base rate and increasing the tiers by 5% each. Commercial sewer rates were raised only on the tiers by 5% each. After review of various communities, it was determined Okmulgee is low on the rates charged for

commercial dumpsters, therefore, the Council increased the cost for a commercial dumpster by \$12/dumpster. At this time, the Council felt the rates for residential customers should not be raised.

Partial closeout of the old cell was addressed in FY 15/16 in conjunction with ODEQ and because of this there has been sufficient funds to cover the annual financial assurance required for closure-post closure of the current cell. The Authority took over operation of the landfill at the beginning of FY 21/22. The only benefit Okmulgee was receiving from having an outside operator was not having a charge for disposal of the City's refuse. The Authority in FY 21/22 leased/purchased two pieces of equipment necessary for operation of the landfill. Employees were added to the budget along with the necessary expenses. Staff budgeted a very conservative revenue budget. Revenue for the landfill was up slightly from the previous year.

The stormwater fee approved in 2008 generated just over \$283,858 in FY 22/23, down from FY 21/22, for stormwater improvements but projected cost of improvements is far in excess of the revenue generated. The inequity of Cities being required by ODEQ/EPA to have ordinances and fees for stormwater while the State and Counties have no such requirement is very unfair and is proving to be a deterrent to commercial development within the Cities.

Debt Service payments on Authority loans were just over \$6 million dollars in FY 22/23. Payments for the 2018A and 2018B began in FY 20/21. In 2019, the City had an opportunity to refinance three of the Water Resources Board loans that were done in 2010. This refinance saved an approximate net amount of over \$382,000 and will shorten the term by four months.

The Okmulgee area has been struggling since COVID to provide an available, trained labor force for itself and other businesses in the area. Educational training opportunities are many and varied due to the presence of Oklahoma State University Institute of Technology (OSUIT), Green Country Technology Center and the College of the Muscogee (Creek) Nation. Both OSUIT and Green Country Technology Center continue to expand their physical campuses as well as their curriculum and degree programs.

The agreement between Okmulgee Area Development Corporation and the City of Okmulgee for the purpose of having an economic development director for Okmulgee is still ongoing. The funding for OADC was increased to \$49,500 per year in the FY 22/23. Immediate response to business and industrial prospects is vitally important. Economic Development does not recognize municipal or tribal boundaries and positively impacts the entire city. As a community, we must be well prepared when the national and state economies recover substantially.

The City has aptly responded to the requirements for short-term and medium-term infrastructure improvement, many of which were mandated by USEPA and others that were required for business development. One of the upgrades that has been addressed at the water treatment plant was to correct the issue of disinfection byproducts. The water treatment plant was changed to chloramines in December 2021. A new elevated water storage tank as well as the 18" water line going to the tank was completed and put into service early in 2022. This project was possible through funding through the Oklahoma Water Resources Board. The remaining funds were used to replace the existing water lines that run under 6th Street and to replace the UV system at the wastewater treatment plant. The Authority was able to take advantage of a program provided by the Oklahoma Department of Environmental Quality through the DWSRF program to receive loan forgiveness of \$700,000 to be used on the chloramine conversion at the water treatment plant. By receiving these funds, the project at the wastewater treatment plant was able to be funded from the 2018A loan as well.

In summary, the City of Okmulgee's revenue was down slightly which is a concern, and given the existing situation of municipal funding in the State of Oklahoma and the state of the national economy

and national political climate, difficult times are still ahead. The increases from other utility companies in costs to operate such facilities as the water treatment plant and the wastewater treatment plant has raised concerns on how this will affect the current budget. Materials the City needs to maintain services to the citizens of Okmulgee has increased in cost as well as delays in many materials being able to be received. Fuel cost increases have hurt all of the City/OMA departments. One of the biggest concerns for the budget is the continued unknown increase for all goods and services needed to be able to maintain the same level of services to the community. All City services and facilities continue to operate in a safe and functional manner.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Okmulgee City Manager or Okmulgee City Clerk at City of Okmulgee, P. O. Box 250, Okmulgee, Oklahoma 74447-0250 or by phone at (918) 758-1100.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Statement of Net Position– June 30, 2023

	Governmental Activities	Business-type Activities	Total	Component Unit Okmulgee Parking Authority
ASSETS				
Cash and cash equivalents	\$ 8,011,111	\$ 9,513,367	\$ 17,524,478	\$ -
Investments	4,530,813	1,587,345	6,118,158	-
Deposits with insurance pool	64,941	-	64,941	-
Accounts receivable, net of allowance	-	1,463,485	1,463,485	-
Due from other governments	1,501,692	-	1,501,692	-
Other taxes receivable	50,723	-	50,723	-
Court fines receivable, net of allowance	235,612	-	235,612	-
Other receivables	63,343	16,349	79,692	-
Internal balances	(232,192)	232,192	-	-
Inventories	-	74,090	74,090	-
Lease receivable	-	409,158	409,158	-
Net pension asset	216,420	-	216,420	-
Capital assets:				
Land	300,282	3,700,556	4,000,838	-
Other capital assets, net of depreciation	10,493,371	56,631,234	67,124,605	24,987
Total assets	<u>25,236,116</u>	<u>73,627,776</u>	<u>98,863,892</u>	<u>24,987</u>
DEFERRED OUTFLOWS				
Deferred amount on refunding	-	395,843	395,843	-
Deferred amounts related to pensions	2,678,256	1,135,362	3,813,618	-
Total deferred outflows	<u>2,678,256</u>	<u>1,531,205</u>	<u>4,209,461</u>	<u>-</u>
LIABILITIES				
Accounts payable	22,300	80,945	103,245	-
Accrued payroll liabilities	84,168	30,260	114,428	-
Accrued interest payable	-	139,113	139,113	-
Due to other governments	1,020	-	1,020	-
Claim liability	51,356	-	51,356	-
Long-term liabilities				
Due within one year	125,598	5,623,493	5,749,091	-
Due in more than one year	713,303	23,026,584	23,739,887	-
Net pension liability	4,390,208	29,334	4,419,542	-
Total liabilities	<u>5,387,953</u>	<u>28,929,729</u>	<u>34,317,682</u>	<u>-</u>
DEFERRED INFLOWS				
Deferred amounts related to pensions	568,758	307,124	875,882	-
Deferred amounts related to leases	-	409,800	409,800	-
Total deferred inflows	<u>568,758</u>	<u>716,924</u>	<u>1,285,682</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	10,622,008	36,679,901	47,301,909	24,987
Restricted for:				
Risk management	64,941	-	64,941	-
Capital projects and debt service	310,828	833,391	1,144,219	-
Unrestricted	10,959,884	7,999,036	18,958,920	-
Total net position	<u>\$ 21,957,661</u>	<u>\$ 45,512,328</u>	<u>\$ 67,469,989</u>	<u>\$ 24,987</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Statement of Activities –Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Okmulgee Parking Authority
Primary government								
Governmental Activities								
General Government	\$ 2,286,044	\$ 237,400	\$ -	\$ -	\$ (2,048,644)	\$ -	\$ (2,048,644)	\$ -
Public Safety	4,912,531	129,165	749,520	156,016	(3,877,830)	-	(3,877,830)	-
Streets	848,413	283,734	101,396	-	(463,283)	-	(463,283)	-
Culture and Recreation	859,353	226,463	8,931	-	(623,959)	-	(623,959)	-
Community Development	470,619	-	-	-	(470,619)	-	(470,619)	-
Interest on Long-term debt	6,113	-	-	-	(6,113)	-	(6,113)	-
Total governmental activities	<u>9,383,073</u>	<u>876,762</u>	<u>859,847</u>	<u>156,016</u>	<u>(7,490,448)</u>	<u>-</u>	<u>(7,490,448)</u>	<u>-</u>
Business-Type Activities:								
Water	3,912,953	6,102,801	-	-	-	2,189,848	2,189,848	-
Sewer	3,304,624	2,061,700	-	-	-	(1,242,924)	(1,242,924)	-
Sanitation	1,871,094	2,709,828	-	-	-	838,734	838,734	-
Economic Development	51,615	-	-	-	-	(51,615)	(51,615)	-
Airport	680,780	236,457	-	45,000	-	(399,323)	(399,323)	-
Interest charges - governmental activities	82,849	-	-	-	-	(82,849)	(82,849)	-
Total business-type activities	<u>9,903,915</u>	<u>11,110,786</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>1,251,871</u>	<u>1,251,871</u>	<u>-</u>
Total primary government	<u>\$ 19,286,988</u>	<u>\$ 11,987,548</u>	<u>\$ 859,847</u>	<u>\$ 201,016</u>	<u>(7,490,448)</u>	<u>1,251,871</u>	<u>(6,238,577)</u>	<u>-</u>
Component Unit:								
Parking	\$ 2,204	\$ -	\$ -	\$ -	-	-	-	(2,204)
Total component unit	<u>\$ 2,204</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,204)</u>
General revenues:								
Taxes:								
Sales and use taxes					9,146,912	-	9,146,912	-
Franchise taxes and public service taxes					502,767	-	502,767	-
Hotel/motel taxes					120,356	-	120,356	-
Intergovernmental revenue not restricted to specific programs					1,209,234	-	1,209,234	-
Unrestricted investment earnings					240,994	151,140	392,134	-
Miscellaneous					249,476	301,788	551,264	-
Transfers					(1,839,873)	1,839,873	-	-
Total general revenues and transfers					<u>9,629,866</u>	<u>2,292,801</u>	<u>11,922,667</u>	<u>-</u>
Change in net position					2,139,418	3,544,672	5,684,090	(2,204)
Net position - beginning					19,818,243	41,967,656	61,785,899	27,191
Net position - ending					<u>\$ 21,957,661</u>	<u>\$ 45,512,328</u>	<u>\$ 67,469,989</u>	<u>\$ 24,987</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS - GOVERNMENTAL FUNDS

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Balance Sheet - June 30, 2023

	General Fund	Okmulgee Community Trust	Dedicated Sales Tax Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,917,271	\$ 45,841	\$ 47,999	\$ 8,011,111
Investments	1,739,912	2,790,901	-	4,530,813
Deposits with insurance pool	64,941	-	-	64,941
Due from other governments	1,236,502	-	265,190	1,501,692
Due from other funds	49,805	-	-	49,805
Taxes receivable	50,723	-	-	50,723
Court fines receivable, net of allowance	235,612	-	-	235,612
Other receivables	63,343	-	-	63,343
Total assets	<u>\$ 11,358,109</u>	<u>\$ 2,836,742</u>	<u>\$ 313,189</u>	<u>\$ 14,508,040</u>
LIABILITIES				
Liabilities:				
Accounts payable	\$ 22,300	\$ -	\$ -	\$ 22,300
Accrued payroll payable	84,168	-	-	84,168
Claims liability	51,356	-	-	51,356
Due to other funds	281,997	-	-	281,997
Due to other governments	1,020	-	-	1,020
Total liabilities	<u>440,841</u>	<u>-</u>	<u>-</u>	<u>440,841</u>
DEFERRED INFLOWS				
Unavailable revenue	<u>488,200</u>	<u>-</u>	<u>-</u>	<u>488,200</u>
FUND BALANCES				
Restricted for:				
Deposits with insurance pool	64,941	-	-	64,941
Capital projects and debt service	-	-	310,828	310,828
Committed for community improvements	-	1,639,036	-	1,639,036
Assigned for capital projects and debt service	-	1,197,706	2,361	1,200,067
Unassigned	10,364,127	-	-	10,364,127
Total fund balances	<u>10,429,068</u>	<u>2,836,742</u>	<u>313,189</u>	<u>13,578,999</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 11,358,109</u>	<u>\$ 2,836,742</u>	<u>\$ 313,189</u>	<u>\$ 14,508,040</u>

See accompanying notes to these financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances – Year Ended June 30, 2023

	<u>General Fund</u>	<u>Okmulgee Community Trust</u>	<u>Dedicated Sales Tax Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 7,694,207	\$ -	\$ 2,075,828	\$ 9,770,035
Intergovernmental	1,958,996	-	-	1,958,996
Licenses and permits	116,046	-	-	116,046
Charges for services	153,347	-	-	153,347
Fines and forfeitures	107,515	-	-	107,515
Investment earnings	44,786	196,167	41	240,994
Miscellaneous	401,191	55,177	-	456,368
Total revenues	<u>10,476,088</u>	<u>251,344</u>	<u>2,075,869</u>	<u>12,803,301</u>
EXPENDITURES				
Current:				
General government	2,088,296	-	-	2,088,296
Public safety	4,749,288	-	-	4,749,288
Culture and recreation	732,450	-	-	732,450
Community development	470,751	-	-	470,751
Capital Outlay	425,261	68,920	-	494,181
Debt Service:				
Principal	104,560	-	-	104,560
Interest and other charges	6,113	-	-	6,113
Total expenditures	<u>8,576,719</u>	<u>68,920</u>	<u>-</u>	<u>8,645,639</u>
Excess of revenues over expenditures	<u>1,899,369</u>	<u>182,424</u>	<u>2,075,869</u>	<u>4,157,662</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000,000	-	-	1,000,000
Transfers out	(1,310,323)	-	(2,061,943)	(3,372,266)
Total other financing sources and uses	<u>(310,323)</u>	<u>-</u>	<u>(2,061,943)</u>	<u>(2,372,266)</u>
Net change in fund balances	1,589,046	182,424	13,926	1,785,396
Fund balances - beginning	8,840,022	2,654,318	299,263	11,793,603
Fund balances - ending	<u>\$ 10,429,068</u>	<u>\$ 2,836,742</u>	<u>\$ 313,189</u>	<u>\$ 13,578,999</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	13,578,999
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		
		10,793,653
Certain other long-term assets are not available to pay current period liabilities and therefore are either reported as deferred, or not reported at all, in this fund financial statement.		
Court fines receivable		220,759
Grants receivable		267,441
Net pension asset		216,420
Deferred outflows of resources are not outflows that relate to the current period and therefore are not reported in the funds:		
Pension related deferred outflows		2,678,256
Certain long-term liabilities and certain deferred inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		
Net pension liability		(4,390,208)
Pension related deferred inflows		(568,758)
Notes payable		(171,645)
Accrued compensated absences		(667,256)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>21,957,661</u>

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	1,785,396
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Capital asset purchases capitalized		881,849
Depreciation expense		(1,030,382)
In Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense.		
		123,210
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in unavailable revenue - fines		9,228
Change in unavailable revenue - grants		267,441
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Principal payments on long-term debt		104,560
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(1,884)
Change in net position of governmental activities	<u>\$</u>	<u>2,139,418</u>

See accompanying notes to these financial statements.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

BASIC FINANCIAL STATEMENTS - PROPRIETARY FUNDS

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Net Position - June 30, 2023

	Enterprise Funds		Total
	OMA	OEDA	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,895,905	\$ 1,123	\$ 5,897,028
Investments	1,587,345	-	1,587,345
Restricted:			
Cash and cash equivalents	3,616,339	-	3,616,339
Due from other funds	281,996	-	281,996
Accounts receivable, net of allowance	1,463,485	-	1,463,485
Other receivables	16,349	-	16,349
Inventories	74,090	-	74,090
Lease receivable-current portion	9,017	-	9,017
Total current assets	<u>12,944,526</u>	<u>1,123</u>	<u>12,945,649</u>
Non-current assets:			
Lease receivable	400,141	-	400,141
Capital Assets:			
Land	3,692,556	8,000	3,700,556
Other capital assets, net of accumulated depreciation	56,629,426	1,808	56,631,234
Total non-current assets	<u>60,722,123</u>	<u>9,808</u>	<u>60,731,931</u>
Total assets	<u>73,666,649</u>	<u>10,931</u>	<u>73,677,580</u>
DEFERRED OUTFLOWS			
Deferred amounts related to pensions	1,135,362	-	1,135,362
Deferred amount on refunding	395,843	-	395,843
Total deferred outflows	<u>1,531,205</u>	<u>-</u>	<u>1,531,205</u>
LIABILITIES			
Current liabilities:			
Accounts payable	80,945	-	80,945
Accrued payroll liabilities	30,260	-	30,260
Accrued interest payable	139,113	-	139,113
Due to other funds	49,804	-	49,804
Current portion of:			
Deposits subject to refund	88,460	-	88,460
Compensated absences	17,855	-	17,855
Landfill closure liability	177,996	-	177,996
Notes payable	5,339,182	-	5,339,182
Total current liabilities	<u>5,923,615</u>	<u>-</u>	<u>5,923,615</u>
Non-current liabilities:			
Deposits subject to refund	353,840	-	353,840
Compensated absences	160,695	-	160,695
Landfill closure liability	1,601,964	-	1,601,964
Notes payable	20,910,085	-	20,910,085
Net pension liability	29,334	-	29,334
Total non-current liabilities	<u>23,055,918</u>	<u>-</u>	<u>23,055,918</u>
Total liabilities	<u>28,979,533</u>	<u>-</u>	<u>28,979,533</u>
DEFERRED INFLOWS			
Deferred amounts related to pensions	307,124	-	307,124
Deferred amounts related to leases	409,800	-	409,800
Total deferred inflows	<u>716,924</u>	<u>-</u>	<u>716,924</u>
NET POSITION			
Net investment in capital assets	36,670,093	9,808	36,679,901
Restricted for debt service	833,391	-	833,391
Unrestricted	7,997,913	1,123	7,999,036
Total net position	<u>\$ 45,501,397</u>	<u>\$ 10,931</u>	<u>\$ 45,512,328</u>

See accompanying notes to the basic financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2023

	Enterprise Funds		Total
	OMA	OEDA	
REVENUES			
Water	\$ 5,846,432	\$ -	\$ 5,846,432
Water taps	22,290	-	22,290
Sewer	1,914,930	-	1,914,930
Sewer taps	70,100	-	70,100
Sanitation	1,725,203	-	1,725,203
Stormwater	283,734	-	283,734
Landfill	915,551	-	915,551
Penalties	178,079	-	178,079
Airport	236,457	-	236,457
Other	201,744	-	201,744
Total operating revenues	<u>11,394,520</u>	<u>-</u>	<u>11,394,520</u>
OPERATING EXPENSES			
Public works operations	275,881	-	275,881
Utility billing	351,963	-	351,963
Public works director	182,662	-	182,662
Water treatment plant	1,301,513	-	1,301,513
Water and sewer line maintenance	499,062	-	499,062
Wastewater treatment plant	847,059	-	847,059
Sanitation	782,229	-	782,229
Landfill	446,038	-	446,038
Streets	435,129	-	435,129
Airport	316,962	-	316,962
Economic development	-	51,500	51,500
Depreciation	3,607,443	115	3,607,558
Total operating expenses	<u>9,045,941</u>	<u>51,615</u>	<u>9,097,556</u>
Operating income (loss)	<u>2,348,579</u>	<u>(51,615)</u>	<u>2,296,964</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	151,140	-	151,140
Miscellaneous revenue	301,788	-	301,788
Interest expense	(1,241,488)	-	(1,241,488)
Total non-operating revenue (expenses)	<u>(788,560)</u>	<u>-</u>	<u>(788,560)</u>
Income (loss) before contributions and transfers	1,560,019	(51,615)	1,508,404
Capital contributions	89,088	-	89,088
Transfers in	3,335,141	37,125	3,372,266
Transfers out	(1,425,086)	-	(1,425,086)
Change in net position	<u>3,559,162</u>	<u>(14,490)</u>	<u>3,544,672</u>
Total net position - beginning	41,942,235	25,421	41,967,656
Total net position - ending	<u>\$ 45,501,397</u>	<u>\$ 10,931</u>	<u>\$ 45,512,328</u>

See accompanying notes to the basic financial statements.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Proprietary Funds Statement of Cash Flows - Year Ended June 30, 2023

	<u>Enterprise Funds</u>		
	<u>OMA</u>	<u>OEDA</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 11,742,686	\$ -	\$ 11,742,686
Payments to employees	(2,732,639)	-	(2,732,639)
Payments to suppliers	(2,569,973)	(51,500)	(2,621,473)
Receipts of customer meter deposits	92,600	-	92,600
Refunds of customer meter deposits	(80,096)	-	(80,096)
Interfund receipts/payments	(20,818)	-	(20,818)
Net cash provided by (used in) operating activities	<u>6,431,760</u>	<u>(51,500)</u>	<u>6,380,260</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	3,335,141	37,125	3,372,266
Transfers to other funds	(1,425,086)	-	(1,425,086)
Net cash provided by noncapital financing activities	<u>1,910,055</u>	<u>37,125</u>	<u>1,947,180</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(1,045,096)	-	(1,045,096)
Proceeds from debt	265,331	-	265,331
Capital grant received	385,553	-	385,553
Principal paid on debt	(5,580,297)	-	(5,580,297)
Interest and fiscal agent fees paid on debt	(917,901)	-	(917,901)
Net cash provided by (used in) capital and related financing activities	<u>(6,892,410)</u>	<u>-</u>	<u>(6,892,410)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends	151,140	-	151,140
Net cash provided by investing activities	<u>151,140</u>	<u>-</u>	<u>151,140</u>
Net increase (decrease) in cash and cash equivalents	1,600,545	(14,375)	1,586,170
Balances - beginning of year	<u>7,911,699</u>	<u>15,498</u>	<u>7,927,197</u>
Balances - end of year	<u>\$ 9,512,244</u>	<u>\$ 1,123</u>	<u>\$ 9,513,367</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 5,895,905	\$ 1,123	\$ 5,897,028
Restricted cash and cash equivalents - current	3,616,339	-	3,616,339
Total cash and cash equivalents, end of year	<u>\$ 9,512,244</u>	<u>\$ 1,123</u>	<u>\$ 9,513,367</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 2,348,579	\$ (51,615)	\$ 2,296,964
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	3,607,443	115	3,607,558
Miscellaneous revenue	301,788	-	301,788
Change in assets, liabilities, and deferrals:			
Due from other funds	(70,622)	-	(70,622)
Due to other funds	49,804	-	49,804
Accounts receivable	51,146	-	51,146
Other receivables	(1,694)	-	(1,694)
Lease receivable	(3,074)	-	(3,074)
Net pension changes	(3,050)	-	(3,050)
Accounts payable	(12,004)	-	(12,004)
Inventory	40,161	-	40,161
Deposits, subject to refund	12,504	-	12,504
Accrued payroll payable	(72,879)	-	(72,879)
Landfill closure liability	214,684	-	214,684
Accrued compensated absences	(31,026)	-	(31,026)
Net cash provided by (used in) operating activities	<u>\$ 6,431,760</u>	<u>\$ (51,500)</u>	<u>\$ 6,380,260</u>

See accompanying notes to the basic financial statements.

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FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

The City's financial reporting entity includes the primary government (City of Okmulgee), three blended component units, and one discretely presented component unit as noted below. This annual report includes all activities for which the Okmulgee City Council is fiscally responsible.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61, and includes all component units for which the City is financially accountable.

The City of Okmulgee – that operates the public safety, culture and recreation, community development and administrative activities.

The City of Okmulgee is an incorporated municipality with a population of approximately 11,298 located in northeastern Oklahoma. The City is a Council-Manager form of government and operates under a charter that provides for three branches of government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Manager, removable by Council action

Component Units:

Blended:

The component units blended into the presentation of the primary government include:

The Okmulgee Economic Development Authority – that operates the economic development activities of the City.

The Okmulgee Municipal Authority – that operates the water, sewer, sanitation, street and airport services of the City.

The Okmulgee Community Trust Authority – that accounts for the funds from the sale of the Creek Council House and Square and/or any other subsequently donated funds for the benefit of the City of Okmulgee for any park purposes.

All component units (Authorities) above have the City Council as their governing body (trustees) and therefore the City is able to impose its will on the Authorities. The City Council is also able to impose its will through required approval of all debt obligations issued by these entities.

Discretely-Presented:

The component unit that is discretely presented in the City's report in a separate column is presented below.

The Okmulgee Parking Authority – that operates the parking activities of the City.

Each of these component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. In addition, the City has leased certain existing assets at the creation of the Authorities to the Trustees on a long-term basis. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statements of net position and activities are reported on the accrual basis of accounting and economic resources measurement focus. Under the economic resources focus, all assets, deferred outflows, liabilities and deferred inflows are reported, including current and non-current. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation) are recorded when the liability is incurred or economic asset used.

Program revenues in the Statement of Activities are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- Public Safety – Fire, Police, Legal and Municipal Court – fines and forfeitures, false alarm fees, and restricted operating and capital grants
- Streets and Transportation – Streets – Commercial vehicle and gasoline excise tax shared by the State and restricted capital grants, charges for services include stormwater fees
- Culture and Recreation – Library, lake fees, operating and capital grants
- Community Development – None
- General Government – City Administration, General Government, Finance, Central Repair, Property Maintenance – license and permits, weed abatements

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

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Governmental Funds:

The City's governmental funds include:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Okmulgee Community Trust Fund (blended component unit) – accounts for the funds from the sale of the Creek Council House and Square and/or any other subsequently donated funds for the benefit of the City of Okmulgee for any park purposes
- Dedicated Sales Tax Fund (capital project fund) – accounts for a one-cent sales tax restricted by voter approval for capital improvements or debt service on capital debt

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter (within 60 days of period end) to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the economic resources measurement focus and accrual basis of accounting at the government-wide level.

The General Fund, Okmulgee Community Trust Fund and Dedicated Sales Tax Fund are considered major funds and are therefore displayed in separate columns. There are no other governmental funds of the City.

Proprietary Funds:

The City's proprietary funds include:

- OEDA – that accounts for the activities of the Okmulgee Economic Development Authority public trust in providing economic development services to the public
- OMA – that accounts for the activities of the Okmulgee Municipal Authority public trust in providing water, sewer, sanitation and airport services to the public.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

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Discretely Presented Component Unit:

The Okmulgee Parking Authority, reported as a discretely presented component unit, follows the same accounting principles as the proprietary funds noted above.

Pensions:

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (FPRS), Oklahoma Police Pension & Retirement System (OPPRS), and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OPPRS's fiduciary net position have been determined on the same basis as they are reported by FPRS, OPPRS, and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

3. Cash, Cash Equivalents, and Investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents for reporting purposes.

Marketable investments are reported at their fair value, based on quoted market prices.

At June 30, 2023, the reporting entity held the following deposits and investments:

<u>Type</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:		
Cash on hand		\$ 3,300
Demand deposits		14,347,138
Time deposit		3,327,257
		<u>17,677,695</u>
Investments:		
Money Market Funds	Aaa	3,174,040
Equities	N/A	1,724,038
Fixed Income (mutual funds)	N/A	1,066,863
		<u>5,964,941</u>
Total deposits and investments		<u>\$ 23,642,636</u>
Reconciliation to Statement of Net Position:		
Cash and cash equivalents		\$ 17,524,478
Investments		6,118,158
		<u>\$ 23,642,636</u>

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Custodial Credit Risk – Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name; or collateralized without a written or approved collateral agreement. Exposure to custodial credit risk related to investments exists when the City holds investments that are uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City’s name.

The City’s policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100% of the uninsured deposits and accrued interest thereon. At June 30, 2023, the City was not exposed to custodial credit risk as defined above.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has no investment policy; therefore, the City sets no specific limit on investment maturities. As of June 30, 2023, maturities of the City’s securities, in years, were as follows:

	Fair Value	Less than 1	1 to 5	6 to 10	More Than 10
Money Market Mutual Funds	\$ 3,174,040	\$ 3,174,040	\$ -	\$ -	\$ -
Fixed Income (mutual funds)	1,066,863	-	666,735	288,529	111,599
	<u>\$ 4,240,903</u>	<u>\$ 3,174,040</u>	<u>\$ 666,735</u>	<u>\$ 288,529</u>	<u>\$ 111,599</u>

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, d and e.

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Concentration of Investment Credit Risk - Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the City (any over 5% are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration.

At June 30, 2023, the City had no concentration of credit risk as defined above.

Fair Value Measurements - Generally accepted accounting principles define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a three-level hierarchy for measuring fair value.

The fair value hierarchy for valuation inputs gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation methodology are unobservable. An entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities are used for determining the fair value of the assets or liabilities.

The City has the following recurring fair value measurements as of June 30, 2023:

	6/30/2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Mutual Funds	\$ 3,174,040	\$ 3,174,040	\$ -	\$ -
Fixed Income (mutual funds)	1,066,863	1,066,863	-	-
Equity Securities	1,724,038	1,724,038	-	-
Total investments at fair value	<u>\$ 5,964,941</u>	<u>\$ 5,964,941</u>	<u>\$ -</u>	<u>\$ -</u>

Restricted Cash and Investments - The amounts reported as restricted assets on the proprietary fund statement of net position are comprised of cash and investments held by the trustee bank on behalf of the OMA public trust (Authority) related to their required revenue bond accounts, promissory note accounts, meter deposits and landfill bonds. The restricted assets as of June 30, 2023 were as follows:

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	Current
	Cash and cash equivalents
Utility Deposits	\$ 442,299
Trustee Accounts:	
Series 2008 Note Account	42,825
Series 2016 Revenue Account	49,624
Series 2016 Project Account	238,248
Series 2018 A Project Account	77,630
Series 2018 A Bond Account	79,458
Series 2018B OWRB Bond Account	47
Series 2018B OWRB Revenue Account	258,111
Series 2019 OWRB Revenue Account	107,047
Landfill Account	2,228,024
Series 2010 A Revenue Account	83,894
Series 2010E OWRB Account	9,132
Total	\$ 3,616,339

4. Receivables and Related Deferred Inflows

In the government-wide statements, receivables consist of all revenues earned at period-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, police fines, and hotel/motel tax. Business-type activities report utilities as its major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, grants, and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at period-end and not yet received. Utility accounts receivable (such as water, wastewater, and sanitation revenues) comprise the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Primary Government Accounts Receivables:

Accounts receivable of the business-type activities consists of customer utilities receivable. Accounts receivable of the governmental activities consists of sales tax, franchise tax, police fines and hotel/motel tax receivables. Receivables detail at June 30, 2023, is as follows:

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Due from other governments	\$ 1,501,692	\$ -	\$ 1,501,692
Franchise taxes	38,364	-	38,364
Hotel/motel tax	12,359	-	12,359
Court fines	2,945,146	(2,709,534)	235,612
Other	63,343	-	63,343
Total Governmental Activities	<u>\$ 4,560,904</u>	<u>\$ (2,709,534)</u>	<u>\$ 1,851,370</u>
Business-Type Activities:			
Utilities	\$ 2,299,127	\$ (835,642)	\$ 1,463,485
Other	16,349	-	16,349
Total Business-Type Activities	<u>\$ 2,315,476</u>	<u>\$ (835,642)</u>	<u>\$ 1,479,834</u>

Leases:

The OMA as a lessor, has entered into lease agreements involving land. The total amount of inflows of resources, including lease revenue and interest revenue recognized during the fiscal year was \$11,946.

5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, buildings, improvements, machinery and equipment, and infrastructure. Capital assets are reported at actual or estimated historical cost. Donated capital assets are recorded at their acquisition value at the date of donation. A capitalization threshold of \$1,500 is used to report capital assets. The City's inventory of capital assets is incomplete with regards to assets purchased prior to 2005. As a result, the amount of capital assets reported in the financial statements does not represent the historical cost of all capital assets of the reporting entity.

For the year ended June 30, 2023, reported capital assets balances changed as follows:

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	Balance at July 1, 2022	Additions	Disposals	Balance at June 30, 2023
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 88,782	\$ 211,500	\$ -	\$ 300,282
Total capital assets not being depreciated	88,782	211,500	-	300,282
Other capital assets:				
Buildings	4,595,643	-	-	4,595,643
Improvements	3,529,668	68,920	-	3,598,588
Infrastructure	7,813,429	159,756	-	7,973,185
Machinery, furniture and equipment	6,917,292	441,673	-	7,358,965
Total other capital assets at historical cost	22,856,032	670,349	-	23,526,381
Less accumulated depreciation for:				
Buildings	2,698,946	180,617	-	2,879,563
Improvements	1,509,693	166,129	-	1,675,822
Infrastructure	2,431,540	266,280	-	2,697,820
Machinery, furniture and equipment	5,362,449	417,356	-	5,779,805
Total accumulated depreciation	12,002,628	1,030,382	-	13,033,010
Other capital assets, net	10,853,404	(360,033)	-	10,493,371
Governmental activities capital assets, net	\$ 10,942,186	\$ (148,533)	\$ -	\$ 10,793,653

	Balance at June 30, 2022	Additions	Disposals	Balance at June 30, 2023
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 3,700,556	\$ -	\$ -	\$ 3,700,556
Total capital assets not being depreciated	3,700,556	-	-	3,700,556
Other capital assets:				
Buildings	2,374,314	-	-	2,374,314
Machinery, furniture and equipment	8,658,914	259,249	-	8,918,163
Utility property improvements	102,631,676	785,847	-	103,417,523
Total other capital assets at historical cost	113,664,904	1,045,096	-	114,710,000
Less accumulated depreciation for:				
Buildings	1,511,778	68,111	-	1,579,889
Machinery, furniture and equipment	6,776,625	474,364	-	7,250,989
Utility property improvements	46,182,805	3,065,083	-	49,247,888
Total accumulated depreciation	54,471,208	3,607,558	-	58,078,766
Other capital assets, net	59,193,696	(2,562,462)	-	56,631,234
Business-type activities capital assets, net	\$ 62,894,252	\$ (2,562,462)	\$ -	\$ 60,331,790

Discretely Presented Component Unit:

Other capital assets:				
Buildings	\$ 55,348	\$ -	\$ -	\$ 55,348
Infrastructure	359,173	-	-	359,173
Total other capital assets at historical cost	414,521	-	-	414,521
Less accumulated depreciation for:				
Buildings	31,825	1,384	-	33,209
Infrastructure	355,506	820	-	356,326
Total accumulated depreciation	387,331	2,204	-	389,535
Other capital assets, net	27,190	(2,204)	-	24,986
Discretely presented component unit capital assets, net	\$ 27,190	\$ (2,204)	\$ -	\$ 24,986

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Depreciation:

Depreciable capital assets are depreciated on a straight-line basis over their estimated useful lives. The range of estimated useful lives by type of asset is as follows:

- Buildings 25 years
- Improvements other than buildings 20 years
- Machinery, furniture and equipment 3-20 years
- Utility property and improvements 6-60 years
- Infrastructure 5-30 years

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 177,247	Water	\$ 1,284,241
Public safety	312,928	Sewer	1,510,368
Streets	413,284	Sanitation	449,016
Culture and recreation	118,763	Airport	363,818
Community development	8,160	Economic development	115
	<u>\$ 1,030,382</u>		<u>\$ 3,607,558</u>

6. Long-Term Debt and Debt Service Requirements

For the year ended June 30, 2023, the reporting entity's long-term debt changed as follows:

Type of Debt	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
Notes payable (direct borrowings)	\$ 276,205	\$ -	\$ (104,560)	\$ 171,645	\$ 58,872
Accrued compensated absences	665,372	306,158	(304,274)	667,256	66,726
Total Governmental Activities	<u>\$ 941,577</u>	<u>\$ 306,158</u>	<u>\$ (408,834)</u>	<u>\$ 838,901</u>	<u>\$ 125,598</u>
Business-Type Activities:					
Notes Payable (direct borrowings/placements)	\$ 31,219,166	\$ 265,331	\$ (5,580,297)	\$ 25,904,200	\$ 5,339,182
Deposits subject to refund	429,796	92,600	(80,096)	442,300	88,460
Landfill closure liability	1,565,276	214,684	-	1,779,960	177,996
Accrued compensated absences	209,576	65,374	(96,400)	178,550	17,855
Total Business-Type Activities	<u>33,423,814</u>	<u>637,989</u>	<u>(5,756,793)</u>	<u>28,305,010</u>	<u>5,623,493</u>
Total Long-Term Debt	<u>\$ 34,365,391</u>	<u>\$ 944,147</u>	<u>\$ (6,165,627)</u>	<u>\$ 29,143,911</u>	<u>\$ 5,749,091</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 125,598
Due in more than one year	713,303
Total Governmental Activities Long-term liabilities	<u>\$ 838,901</u>

Business-Type Activities:

Due within one year	\$ 5,623,493
Due in more than one year	23,026,584
Statement of Net Position Business-Type Activities Long-term liabilities	<u>28,650,077</u>
Less unamortized premium	345,067
Total Business-Type Activities Long-term liabilities	<u>\$ 28,305,010</u>

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Governmental activities long-term debt:

Notes Payable (direct borrowing):

Note Payable to Mabrey Bank, dated November 2, 2016, original amount of \$455,000 with an annual interest rate of 2.65% due in monthly installments of \$5,947.77, final installment due November 2023. This direct borrowing contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. This note is secured with collateral of equipment purchased. \$ 23,166

Note Payable to Mabrey Bank, dated July 8, 2020, original amount of \$250,305 with an annual interest rate of 2.65% due in monthly installments of \$3,275, final installment due July 2027. This direct borrowing contains a provision that in the event of default, outstanding amounts become immediately due if the City is unable to make payment. This note is secured with collateral of equipment purchased. 148,479

Total Notes Payable	\$ 171,645
Current portion	58,872
Noncurrent portion	112,773
Total Notes Payable	\$ 171,645

Accrued Compensated Absences:

Current portion	\$ 66,726
Noncurrent portion	600,530
Total Accrued Compensated Absences	\$ 667,256

Business-type activities long-term debt:

Notes Payable (direct borrowing):

2008 Sales Tax and Revenue Note payable to BancFirst dated December 23, 2008, original amount of \$5,000,000, with an annual interest rate of 4.95% due in semi-annual installments of principal and interest beginning June 2009, final installment due December 2023. This note is collateralized by a pledge of revenues. In the event of default, the lender may accelerate the payment of the principal and interest accrued on the note; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. \$ 230,000

2013 Sales Tax and Revenue Note payable to BancFirst dated December 27, 2013, original amount of \$4,000,000, secured by pledged sales tax, with an annual interest rate of 3.48% due in semi-annual installments of principal and interest beginning June 2014, final installment due December 2023. In the event of default, the lender may accelerate the payment of the principal and interest accrued on the note; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. 240,000

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2010E Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$650,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.86%, final maturity March 15, 2031. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the system on a profitable basis; or 4) file suit to enforce or enjoin action or inaction of the borrower under the provisions of the loan agreement.

238,856

2010A Series CWSRF Promissory Note to Oklahoma Water Resources Board, original issue amount available for draw of \$5,100,000, secured by utility revenues, payable in semi-annual installments, interest rate at 2.54%, final maturity September 15, 2032. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the system on a profitable basis; or 4) file suit to enforce or enjoin action or inaction of the borrower under the provisions of the loan agreement.

2,605,101

Note Payable to Armstrong Bank, dated April 4, 2023, original amount of \$265,331 with an annual interest rate of 4.57% due in monthly installments of \$4,963, final installment due April 2028. This note is collateralized by the purchased equipment. In the event of default, the borrower may accelerate the payment of principal and interest accrued on the note; take possession of collateralized property; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

253,459

Note Payable to Arvest Bank, dated July 11, 2019, original amount of \$257,799 with an annual interest rate of 4.56% due in monthly installments of \$3,590.08, final installment due June 2026. This note is collateralized by the purchased equipment. In the event of default, the borrower may accelerate the payment of principal and interest accrued on the note; take possession of collateralized property; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

119,416

Note Payable to Armstrong Bank, dated November 22, 2021, original amount of \$709,160 with an annual interest rate of 2.00% due in monthly installments of \$12,438, final installment due November 2026. This note is collateralized by the purchased equipment. In the event of default, the borrower may accelerate the payment of principal and interest accrued on the note; take possession of collateralized property; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

492,279

Note Payable to Armstrong Bank, dated September 24, 2021, original amount of \$423,500 with an annual interest rate of 1.99% due in monthly installments of \$7,426, final installment due September 2026. This note is collateralized by the purchased equipment. In the event of default, the borrower may accelerate the payment of principal and interest accrued on the note; take possession of collateralized property; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

280,089

2016 Sales Tax and Revenue Note payable to BancFirst dated October 12, 2016, original amount of \$2,600,000, secured by pledged sales tax, with an annual interest rate of 2.15% due in semi-annual installments of principal and interest beginning December 2016, final installment due June 2026. In the event of default, the lender may accelerate the payment of the principal and interest accrued on the note; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement.

1,650,000

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2018A Series SRF Promissory Note to Oklahoma Water Resources Board, original issue amount of \$6,555,000, secured by utility revenues, payable in semi-annual installments beginning March 2019, with an annual interest rate ranging from 3.2% to 5.2%, final installment due September 2029. In the event of default, the lender may: 1) file suit to require any or all of the borrower covenants to be performed; 2) accelerate the payment of principal and interest accrued on the note; 3) appoint temporary trustees to take over, operate and maintain the system on a profitable basis; or 4) file suit to enforce or enjoin action or inaction of the borrower under the provisions of the loan agreement. 6,545,000

2018B Utility System and Sales Tax Revenue Note payable to BancFirst dated September 5, 2018, original amount of \$16,335,000, secured by pledged revenues, with an annual interest rate of 3.48% due in semi-annual installments of principal and interest beginning June 2018, final installment due December 2023. In the event of default, the lender may accelerate the payment of the principal and interest accrued on the note; or file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement. 4,180,000

2019 Utility System and Sales Tax Revenue Note payable to BancFirst dated November 26, 2019, original amount of \$12,270,000, secured by pledged revenues, with an annual interest rate of 2.5% due in semi-annual installments of principal and interest beginning June 2020, final installment due December 2031. In the event of default, the lender may accelerate the payment of the principal and interest accrued on the note; file suit to enforce or enjoin the action or inaction of the borrower under the provisions of the loan agreement; or appoint a temporary trustee to take over, operate and maintain the system on a profitable basis. 9,070,000

Total Notes Payable	\$	<u>25,904,200</u>
Current portion	\$	5,339,182
Noncurrent portion		<u>20,565,018</u>
Total Notes Payable	\$	<u><u>25,904,200</u></u>

Accrued Compensated Absences:

Current portion	\$	17,855
Noncurrent portion		<u>160,695</u>
Total Accrued Compensated Absences	\$	<u><u>178,550</u></u>

Deposits Subject to Refund:

Current portion	\$	88,460
Noncurrent portion		<u>353,840</u>
Total Deposits Subject to Refund	\$	<u><u>442,300</u></u>

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Long-term debt service requirements to maturity:

<u>Governmental Activities</u>		
<u>Year Ending June 30,</u>	<u>Notes Payable (direct borrowings)</u>	
	<u>Principal</u>	<u>Interest</u>
2024	58,872	3,708
2025	36,674	2,626
2026	37,659	1,641
2027	38,440	630
2028	-	6
Totals	<u>\$ 171,645</u>	<u>\$ 8,611</u>

<u>Business Type Activities</u>		
<u>Year Ending June 30,</u>	<u>Notes Payable (direct borrowings/placements)</u>	
	<u>Principal</u>	<u>Interest</u>
2024	5,339,182	751,021
2025	3,764,269	600,826
2026	2,995,238	500,626
2027	2,769,533	396,690
2028	2,772,774	297,793
2029-2033	8,263,204	392,100
Totals	<u>\$ 25,904,200</u>	<u>\$ 2,939,056</u>

Landfill Closure Liability:

State and federal laws and regulations require the City to place a final cover on its construction and demolition landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for eight years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these costs as an operating expense of the Municipal Authority in each fiscal year. The current period expense amount is based upon the amount of landfill capacity used as of each fiscal year end.

The \$1,779,960 reported as accrued landfill closure cost liability at June 30, 2023, represents the cumulative amount of such costs reported to date based on the use of 100% of the estimated capacity of the prior cells of the landfill and 98.56% of the estimated capacity of the new cells of the landfill. The City previously had an agreement with Elliott Construction Company, Inc. to run the landfill. Elliott Construction is in bankruptcy, so the City is now in contract with Stone Horse Construction to run the landfill. The City has built a new cell at the landfill in prior years as the landfill was previously at capacity.

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The Department of Environmental Quality has issued a Consent Order on the landfill and has required the City to set aside money in a trust to cover financial assurance. The City has set aside \$1,885,658, including interest, in trust, which together with Elliott Construction's trust balance of \$342,366 as of June 30, 2023, of which DEQ is the beneficiary, makes up more than the total \$1,779,960 closure and post closure liability.

Current portion	\$	177,996
Noncurrent portion		1,601,964
Total Landfill Closure Liability	\$	<u>1,779,960</u>

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged two cents (or 1/2) of future sales tax revenues and net utility revenues to repay the \$4,000,000 Series 2013 Utility System and Sales Tax Revenue Note, the \$2,600,000 Series 2016 Sales Tax and Revenue Note, the \$16,335,000 of the 2018B Utility System and Sales Tax Revenue Note, the \$650,000 of the OWRB 2010E Series CWSRF promissory note, the \$5,100,000 2010A Series CWSRF, the \$6,555,000 of the 2018A Series OWRB FAP Note Payables, and the \$12,270,000 of the 2019 Utility System and Sales Tax Revenue Note. The notes are payable from pledged sales tax revenues and net utility revenues. The bonds and notes are payable through 2024, 2026, 2024, 2031, 2032, 2029, and 2031, respectively. The total principal and interest payable for the remainder of the life of these bonds and notes are \$27,397,159. Pledged sales taxes received in the current year were \$4,151,658 and net utility revenues were \$6,178,188. Debt service payments of \$5,205,710 for the current fiscal year were 50.4% of pledged sales taxes and net utility revenues of \$10,329,846.

Sales Tax Pledge - The City has pledged one cent (or 25%) of future sales tax revenues to repay the \$5,000,000 2008 Sales Tax and Revenue Note. Proceeds from the note provided for the purchase or construction of capital assets. The note is payable from pledged sales tax revenues. The notes are payable through 2024. The total principal and interest payable for the remainder of the life of this note is \$235,693. Pledged sales taxes received in the current year were \$2,075,828. Debt service payments of \$474,218 for the current fiscal year were 22.8% of pledged sales taxes.

7. Net Position and Fund Balances

Net Position:

Net position as reported in the government-wide and proprietary fund financial statements are displayed in three components:

- a. *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets, net of unexpended debt proceeds.
- b. *Restricted net position* - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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It is the City's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) laws through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance, while the Okmulgee Community Trust Authority highest level of decision-making authority is made by resolution.
- d. Assigned – includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by City Council action or management decision when the City Council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund. It is the City's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

8. Sales Tax Revenue

Sales tax revenue represents a four-cent tax on each dollar of taxable sales. One cent (or 25%) is voter-restricted to secure debt payments on capital debt and is recorded in the Dedicated Sales Tax Fund. The other three cents (or 75%) are recorded in the General Fund. Two cents are pledged to cover debt service coverage requirements on the 2008, 2013, 2016, 2018B, and 2019 Series Sales Tax and Utility System Revenue Notes, as well as the 2010 and 2018 Oklahoma Water Resources Board Notes.

9. Internal and Interfund Balances and Transfers

The City's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

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Transfers:

Internal transfers between funds and activities for the year ended June 30, 2023 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
OMA	General Fund	\$ 1,000,000	Operating
OMA	Governmental activities-GW	425,086	Capital assets transferred
General Fund	OMA	474,218	Transfer for debt service
General Fund	OMA	798,980	Transfer of ARPA grant funds
General Fund	OEDA	37,125	Operating
Dedicated Sales Tax Fund	OMA	2,061,943	Transfer for debt service
Total		<u>\$ 4,797,352</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,000,000	\$ (3,372,266)	\$ (2,372,266)
Proprietary Funds	3,372,266	(1,425,086)	1,947,180
	<u>\$ 4,372,266</u>	<u>\$ (4,797,352)</u>	<u>\$ (425,086)</u>

Reconciliation to Statement of Activities:

Governmental Funds Transfers	\$	(2,372,266)
Capital assets transferred from business-type activities to governmental activities		425,086
Street activity moved from business-type activities to governmental activities		107,307
Total government-wide level	<u>\$</u>	<u>(1,839,873)</u>

Balances:

Interfund receivable and payables at June 30, 2023 were comprised of the following:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
OMA	General Fund	49,805	Payroll expenses
General Fund	OMA	281,996	Operating subsidy to be reimbursed
Total		<u>\$ 331,801</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 49,805	\$ (281,997)	\$ (232,192)
Proprietary Funds	281,996	(49,804)	232,192
Total	<u>\$ 331,801</u>	<u>\$ (331,801)</u>	<u>\$ -</u>

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability and Physical Property – Covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Workers' Compensation – Workers' compensation is covered through participation in the Oklahoma Municipal Assurance Group risk entity pool.
- Employee's Group Medical – Self-insured up to \$70,000 per employee. Additional coverage for claims exceeding \$70,000 per employee.

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The City's general liability, physical property and workers compensation risks are transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the City. The portion of the reserves to which the City has access is reported as Deposits with Insurance Pool.

Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Claims Liability Analysis:

The claims liabilities related to the risks of loss that are retained are determined in accordance with the requirements of Statement of Financial Accounting Standards No. 5, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Such accrued losses include an estimated liability for incurred but not reported claims based on past historical experience.

For the risk management health activity reported in the General Fund, changes in the estimated claims liability for the City from July 1, 2020, to June 30, 2023, are as follows:

Claims Liability, June 30, 2020	\$ 137,251
Claims incurred and changes in estimates	1,361,895
Claims paid	<u>(1,428,964)</u>
Claims Liability, June 30, 2021	\$ 70,182
Claims incurred and changes in estimates	1,666,415
Claims paid	<u>(1,676,516)</u>
Claims Liability, June 30, 2022	\$ 60,081
Claims incurred and changes in estimates	1,485,312
Claims paid	<u>(1,494,037)</u>
Claims Liability, June 30, 2023	<u><u>\$ 51,356</u></u>

11. Contingencies

Litigation

The City is a party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City Sinking Fund for the payment of any court assessed judgment rendered against the City. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

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Asset Retirement Obligation

The City has incurred certain asset retirement obligations related to the operation of its wastewater utility system. The estimated liability of the legally required closure costs for the wastewater utility system cannot be reasonably estimated as of June 30, 2023, since the specific legally required costs of retirement have not yet been identified. The City anticipates identifying those specific legally required costs, if any, and obtaining an estimate of those costs in a subsequent fiscal year.

12. Pension Plan Participation

The City of Okmulgee participates in four pension or retirement plans:

1. Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
2. Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
3. Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust (OkMRF) – an agent multiple-employer defined benefit plan
4. Oklahoma Municipal Retirement System Defined Contribution Plan (OkMRF) – an agent multiple-employer defined contribution plan

A summary of all the amounts recorded in the City’s financial statements for the plans is as follows:

	Governmental Activities	Business-type Activities	Plan Totals
Net Pension Asset:			
Police	\$ 216,420	\$ -	\$ 216,420
Total	<u>\$ 216,420</u>	<u>\$ -</u>	<u>\$ 216,420</u>
Net Pension Liability:			
OkMRF	\$ 24,013	\$ 29,334	\$ 53,347
Firefighters	4,366,195	-	4,366,195
Total	<u>\$ 4,390,208</u>	<u>\$ 29,334</u>	<u>\$ 4,419,542</u>
Deferred Outflows of Resources:			
OkMRF	\$ 935,952	\$ 1,135,362	\$ 2,071,314
Police	460,031	-	460,031
Firefighters	1,282,273	-	1,282,273
Total	<u>\$ 2,678,256</u>	<u>\$ 1,135,362</u>	<u>\$ 3,813,618</u>
Deferred Inflows of Resources:			
OkMRF	\$ 249,700	\$ 307,124	\$ 556,824
Police	37,718	-	37,718
Firefighters	281,340	-	281,340
Total	<u>\$ 568,758</u>	<u>\$ 307,124</u>	<u>\$ 875,882</u>
Pension Expense (Benefit):			
OkMRF	\$ 4,151	\$ (3,048)	\$ 1,103
Police	52,764	-	52,764
Firefighters	549,572	-	549,572
Total	<u>\$ 606,487</u>	<u>\$ (3,048)</u>	<u>\$ 603,439</u>

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Summary of Significant Accounting Policies- For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (benefit), information about the fiduciary net position of the Oklahoma Firefighters Pension & Retirement System (OFPRS), Oklahoma Police Pension & Retirement System (OPPRS) and Oklahoma Municipal Retirement Fund (OkMRF) and additions to/deductions from OFPRS, OPPRS and OkMRF's fiduciary net position have been determined on the same basis as they are reported by OFPRS, OPPRS and OkMRF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments held by these funds are reported at fair value.

Firefighters' Plan:

Plan description- The City of Okmulgee, as the employer, participates in a statewide cost-sharing multiple employer defined benefit pension plan through the Oklahoma Firefighter's Pension and Retirement System (OFPRS). The OFPRS defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Pursuant to the requirements of Title 11, section 22-102, the City must participate in the plan if they employ fulltime or volunteer firefighters.

Benefits provided - FPRS provides defined retirement benefits based on members' final average compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon death of eligible members. The Plan's benefits are established and amended by Oklahoma statute. Retirement provisions are as follows:

Normal Retirement:

- Hired Prior to November 1, 2013
Normal retirement is attained upon completing 20 years of service. The normal retirement benefit is equal to 50% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month.
- Hired After November 1, 2013
Normal retirement is attained upon completing 22 years of service. The normal retirement benefit is equal to 55% of the member's final average compensation. Final average compensation is defined as the monthly average of the highest 30 consecutive months of the last 60 months of participating service. Also participants must be age 50 to begin receiving benefits. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in the line of duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not in the line of duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service or \$7.53 per year of service, with a maximum of 30 years.

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A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$155,357. The State of Oklahoma also made on-behalf contributions to OFPRS in the amount of \$381,591 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$342,028. These on-behalf payments did not meet the criteria of a special funding situation.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to OFPRS, 6601 Broadway Ext. #100, Oklahoma City, OK 73116.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2023, the City reported a liability of \$4,366,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the City's proportion was 0.333875%.

For the year ended June 30, 2023, the City recognized pension expense of \$549,572. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 560,502	\$ 22,042
Changes of assumptions	-	27,838
Net difference between projected and actual earnings on pension plan investments	507,398	-
Changes in proportion	57,579	230,845
City contributions during measurement date	1,437	615
City contributions subsequent to the measurement date	155,357	-
Total	<u>\$ 1,282,273</u>	<u>\$ 281,340</u>

The \$155,357 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:		
2024	\$	206,511
2025		174,749
2026		25,566
2027		438,750
	\$	<u>845,576</u>

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	2.75% to 10.5% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the Pub-2010 Public Safety Table, with adjustments for generational mortality improvement using scale MP-2018 for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	3.62%
Domestic equity	47%	5.66%
International equity	15%	8.34%
Real estate	10%	7.64%
Other assets	8%	5.08%

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate- The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability	\$ 5,626,173	\$ 4,366,195	\$ 3,312,277

Pension plan fiduciary net position- Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OFPRS; which can be located at www.ok.gov/FPRS.

Police Plan:

Plan description- Pursuant to the requirements of Title 11, section 22-102, the City of Okmulgee participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS).

Benefits provided- OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later. Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

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Contributions - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$124,772. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$113,406 during the calendar year and this is reported as both expense and revenue in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$107,541. These on-behalf payments did not meet the criteria of a special funding situation.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2023, the City reported a net pension asset of \$216,420 for its proportionate share of the total net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2022. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2022. Based upon this information, the City's proportion was 0.269877%.

For the year ended June 30, 2023, the City recognized pension expense of \$52,764. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,157	\$ 23,574
Changes of assumptions	7,535	-
Net difference between projected and actual earnings on pension plan investments	211,182	-
Changes in proportion	8,302	13,100
date	2,083	1,044
City contributions subsequent to the measurement date	124,772	-
Total	\$ 460,031	\$ 37,718

The \$124,772 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or an addition to the net pension liability (asset) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended June 30:	
2024	\$ 68,487
2025	18,280
2026	(58,304)
2027	257,279
2028	11,799
	\$ 297,541

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	2.75%
Salary increases:	3.5% to 12% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense
Mortality rates:	Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.
	Active employees (post-retirement) and nondisabled pensioners: RP- 2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.
	Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	3.34%
Domestic equity	4.69%
International equity	8.34%
Real estate	7.64%
Private equity	9.66%
Commodities	0.00%

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The current allocation policy is that approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

Discount Rate- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate- The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower 6.5% or 1-percentage-point higher 8.5% than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Employers' net pension liability (asset)	\$ 627,033	\$ (216,420)	\$ (929,344)

Pension plan fiduciary net position- Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at www.ok.gov/OPPRS.

Employee Plans:

OkMRF Defined Benefit Plan:

Plan Description- The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: www.okmrf.org/reports.html. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

Eligibility Factors and Benefit Provisions

<u>Provision</u>	<u>As of 07/01/22 OkMRF Plan</u>
a. Eligible to participate	Full-time employees except police, firefighters and other employees who are covered under an approved system.
b. Period Required to Vest	10 years of credited service

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- | | |
|-----------------------------------|--|
| c. Eligibility for Distribution | -Normal retirement age shall be the earlier of (i) and (ii) as follows:
(i) age 65
(ii) the later of age 62 and the age at which the Participant has completed 25 years of service
-Early retirement at age 55 with 10 years of service
-Disability retirement upon disability with 10 years of service
-Death benefit with 10 years of service for married employees |
| d. Benefit Determination Base | Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service |
| e. Benefit Determination Methods: | |
| Normal Retirement | -2.625% of final average salary multiplied by credited years of service |
| Early Retirement | -Actuarially reduced benefit based upon age, final average salary, and years of service at termination |
| Disability Retirement | -Same as normal retirement |
| Death Benefit | -50% of employees accrued benefit, but terminates upon spouse re-marriage |
| Prior to 10 Years of Service | -No benefits |
| f. Benefit Authorization | -Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102 |
| g. Form of Benefit Payments | Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent. |

Employees Covered by Benefit Terms

Active Employees	78
Deferred Vested Former Employees	14
Retirees or Retiree Beneficiaries	<u>42</u>
Total	<u>134</u>

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Contribution Requirements- The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 9.06% of covered payroll as of 7-1-22. For the year ended June 30, 2023, the City recognized \$349,066 of employer contributions to the plan which exceeds the actuarially determined amount based on covered payroll of \$3,173,324. Employees cannot contribute to the plan in accordance with the plan provisions adopted by the City Council.

Actuarial Assumptions

Date of Last Actuarial Valuation	July 1, 2022
a. Actuarial cost method	Entry age normal
b. Rate of Return on Investments and Discount Rate	7.5%
c. Projected Salary Increase	Varies between 7.50% and 4.50% based on age
d. Post Retirement Cost-of-Living Increase	Benefits (attributable to service prior to 1/1/2010) in payment status are adjusted each July 1 st based on the percentage change in the CPI. The maximum increase or decrease in any year is 3%.
e. Inflation Rate	3%
f. Mortality Table	UP 1994, with projected mortality improvement
g. Percent of married employees	100%
h. Spouse age difference	3 years (female spouses younger)
i. Turnover	Select and ultimate rates Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years:
	Year 1: 225
	Year 2: 140
	Year 3: 100
	Year 4: 70
	Year 5: 40

Discount Rate – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.5% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

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The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (2.75%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2022 are summarized in the following table:

	Target Allocation	Real Return	Weighted Return
Large cap stocks S&P 500	25%	5.80%	1.45%
Small/mid cap stocks Russell 2500	10%	6.40%	0.64%
Long/short equity MSCI ACWI	10%	5.00%	0.50%
International stocks MSCI EAFE	20%	6.20%	1.24%
Fixed income bonds Barclay's Capital Aggregate	30%	2.30%	0.69%
Real estate NCREIF	5%	4.60%	0.23%
Cash equivalents 3 month Treasury	0%	0.00%	0.00%
	100%		
Average Real Return			4.75%
Inflation			2.75%
Long-term expected return			7.50%

Changes in Net Pension Liability/(Asset)– The total pension liability was determined based on an actuarial valuation performed as of July 1, 2022 which is also the measurement date. There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension

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liability. There were also no changes between the measurement date of July 1, 2022 and the City's report ending date of June 30, 2023, that would have had a significant impact on the net pension liability/(asset). The following table reports the components of changes in net pension liability/(asset):

	SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)		
	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability(Asset)
	(a)	(b)	(a) - (b)
Balances Beginning of Year	<u>\$ 18,714,058</u>	<u>\$ 22,149,038</u>	<u>\$ (3,434,980)</u>
Changes for the Year:			
Service cost	293,628	-	293,628
Interest expense	1,377,978	-	1,377,978
Changes of assumptions	(557,202)		(557,202)
Contributions--City	-	341,635	(341,635)
Difference between expected and actual experience	(51,509)	-	(51,509)
Net investment income	-	(2,729,163)	2,729,163
Benefits paid	(694,593)	(694,593)	-
Plan administrative expenses	-	(37,904)	37,904
Net Changes	<u>368,302</u>	<u>(3,120,025)</u>	<u>3,488,327</u>
Balances End of Year	<u>\$ 19,082,360</u>	<u>\$ 19,029,013</u>	<u>\$ 53,347</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate- The following presents the net pension liability of the City, calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability (Asset)	\$ 2,627,654	\$ 53,347	\$ (2,073,797)

The City reported (\$1,103) in pension expense (benefit) for the year ended June 30, 2023. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,149	\$ 105,263
Changes of assumptions	54,958	425,786
Net difference between projected and actual earnings on pension plan investments	1,628,115	-
Changes in proportion	24,024	25,775
City contributions subsequent to the measurement date	349,068	-
Total	<u>\$ 2,071,314</u>	<u>\$ 556,824</u>

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The \$349,068 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of or an addition to the net pension liability (asset) in the year ended June 30, 2024.

Amortization of Pension Deferrals - Amounts reported as deferred outflows of resources (excluding deferred outflows of resources related to contributions made subsequent to the measurement date) and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$ 179,029
2025	122,371
2026	23,335
2027	840,687
	<u>\$ 1,165,422</u>

OKMRF Defined Contribution Plan:

The City has also provided a defined contribution plan and trust known as the City of Okmulgee Plan and Trust (the “Plan”) in the form of the Oklahoma Municipal Retirement System Master Defined Contribution Plan. OKMRF operations are supervised by a nine-member Council of Trustees elected by the participating municipalities. The Plan is administered by JP Morgan Chase Bank. The defined contribution plan is available to all full-time employees who are not already participating in another plan. According to City Ordinance, the employee must contribute to the Plan 5% of their gross wages. The City, as employer, contributes, per ordinance, a variable amount based on budget. This fiscal year the employer contributed 0% of pay to this plan. If an employee terminates before becoming fully vested, the employer’s contributions that are forfeited are allocated to the remaining employees. The authority to establish and amend the provisions of the plan rests with the City Council. For the year ended June 30, 2023, the City contributed \$0 to the plan, while the employee contributions totaled \$154,269.

The City also participates in a City Manager Plan. This plan requires the City to contribute 10% and the City Manager contributes 10% of gross wages to the plan. For the year ended June 30, 2023, the City contributed \$11,442 to the plan, while the City Manager contributions totaled \$11,442.

Summary of Contributions – Defined Contribution Plan:

For the year ended June 30, 2023, the following amounts related to the defined contribution plan:

	2023	2022	2021
Employee contributions made	\$ 165,711	\$ 167,280	\$ 161,373
Employer (City) contributions made	\$ 11,442	\$ 10,600	\$ 10,181

OKMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Dr., Suite 320, Oklahoma City, Oklahoma, 73105.

13. Use of Estimates

Certain estimates are made in the preparation of the financial statements, such as estimated lives for capital assets depreciation. Estimates are based on management's best judgments and may vary from actual results.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis)– Year Ended June 30, 2023

	GENERAL FUND			
	Budgeted Amounts		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with Final</u> <u>Budget - Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$ -	\$ 50,278	\$ 8,840,022	\$ 8,789,744
Resources (Inflows):				
TAXES:				
Sales tax	7,000,000	7,000,000	6,227,487	(772,513)
Use tax	525,000	525,000	843,597	318,597
Franchise tax	460,000	460,000	502,767	42,767
Hotel/Motel tax	120,000	120,000	120,356	356
Total Taxes	<u>8,105,000</u>	<u>8,105,000</u>	<u>7,694,207</u>	<u>(410,793)</u>
INTERGOVERNMENTAL:				
Alcoholic beverage tax	120,000	120,000	120,953	953
Gas excise tax	22,000	22,000	20,009	(1,991)
Commercial vehicle tax	80,000	80,000	81,387	1,387
Cigarette/tobacco tax	65,000	65,000	55,891	(9,109)
Grants	1,338,729	1,434,017	1,100,684	(333,333)
Total Intergovernmental	<u>1,625,729</u>	<u>1,721,017</u>	<u>1,378,924</u>	<u>(342,093)</u>
LICENSES AND PERMITS:	<u>51,000</u>	<u>66,000</u>	<u>116,046</u>	<u>50,046</u>
FINES AND FORFEITURES:	<u>226,500</u>	<u>226,500</u>	<u>107,515</u>	<u>(118,985)</u>
CHARGES FOR SERVICES:				
Lake fees	11,000	11,000	18,465	7,465
Weed abatements	50,000	80,000	108,300	28,300
Nutrition center rent	1,800	1,800	2,000	200
Insufficient check charge fees	1,500	1,500	2,425	925
Police department service fees	4,000	4,000	2,052	(1,948)
Fire subscriptions	6,000	6,000	5,755	(245)
Fire county special sales tax	75,000	75,000	85,075	10,075
Shelter fees	4,000	4,000	4,615	615
Library fees	9,000	9,000	9,735	735
Total Charges for Services	<u>162,300</u>	<u>192,300</u>	<u>238,422</u>	<u>46,122</u>
INVESTMENT INCOME:	<u>20,000</u>	<u>20,000</u>	<u>44,786</u>	<u>24,786</u>
MISCELLANEOUS:				
Seized property	5,000	5,000	-	(5,000)
Stop loss refunds	5,000	5,000	85,846	80,846
Miscellaneous	287,850	287,850	315,345	27,495
Total Miscellaneous	<u>297,850</u>	<u>297,850</u>	<u>401,191</u>	<u>103,341</u>
OTHER FINANCING SOURCES:				
Transfers in	1,000,000	1,000,000	1,000,000	-
Total Other Financing Sources	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total Resources (Inflows)	<u>11,488,379</u>	<u>11,628,667</u>	<u>10,981,091</u>	<u>(647,576)</u>
Amounts available for appropriation	<u>11,488,379</u>	<u>11,678,945</u>	<u>19,821,113</u>	<u>8,142,168</u>
Charges to Appropriations (Outflows):				
<i>General Government:</i>				
City Administration	412,223	414,892	379,063	35,829
General Government	748,601	1,042,101	977,136	64,965
Finance	279,663	282,340	245,948	36,392
Central Repair	267,534	270,211	206,453	63,758
Property Maintenance	488,980	492,995	393,874	99,121
Technology Services	175,021	176,805	159,785	17,020
<i>Public Safety and Judiciary:</i>				
Police	2,690,522	2,730,096	2,374,438	355,658
Fire	2,208,014	2,234,344	1,994,060	240,284
Legal and Municipal Court	145,919	146,811	138,316	8,495
<i>Culture and Recreation:</i>				
Library	533,415	541,227	458,863	82,364
Lake Department	387,037	415,118	282,436	132,682
<i>Community:</i>				
Community Development	596,936	600,505	471,350	129,155
Transfers to Other Funds	2,331,500	2,331,500	1,310,323	1,021,177
Total Charges to Appropriations	<u>11,265,365</u>	<u>11,678,945</u>	<u>9,392,045</u>	<u>2,286,900</u>
Fund balances - ending	<u>\$ 223,014</u>	<u>\$ -</u>	<u>\$ 10,429,068</u>	<u>\$ 10,429,068</u>

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Footnotes to Budgetary Comparison Schedules:

1. The budgetary comparison schedules are reported using the modified accrual basis of accounting, with the exception of on-behalf payments.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within departments require the approval of the City Manager. All other transfers require the approval of the City Council. All supplemental appropriations require the approval of the City Council and are to be filed with the Office of the State Auditor and Inspector.

3. The General Fund budgetary comparison differs from the modified cash basis Statement of Revenues, Expenditures and Changes in Fund Balance as follows:

	Revenues, Expenditures and Changes in Fund Balance	On-Behalf Payments Made by State	Per Budgetary Comparison Schedule
General Fund:			
Total Revenues	\$ 10,476,088	\$ (494,997)	\$ 9,981,091
Transfers In	1,000,000	-	1,000,000
Total Revenues and Other Financing Sources	11,476,088	(494,997)	10,981,091
Total Expenditures	8,576,719	(494,997)	8,081,722
Transfers Out	1,310,323	-	1,310,323
Total Expenditures and Other Financing Uses	9,887,042	(494,997)	9,392,045
Net Change in Fund Balance	\$ 1,589,046	\$ -	\$ 1,589,046

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Schedules of Required Supplementary Information
SCHEDULE OF THE CITY OF OKMULGEE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability	0.366018%	0.3666721%	0.3630563%	0.3613360%	0.3724810%	0.3536580%	0.347440%	0.355254%	0.333875%
City's proportionate share of the net pension liability	\$ 3,763,940	\$ 3,891,883	\$ 4,435,522	\$ 4,544,605	\$ 4,192,827	\$ 3,736,988	\$ 4,280,165	\$ 2,339,582	\$ 4,366,195
City's covered-employee payroll	\$ 994,004	\$ 1,001,836	\$ 1,015,550	\$ 1,027,050	\$ 1,067,786	\$ 1,093,657	\$ 1,115,259	\$ 1,154,066	\$ 1,105,116
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	379%	388%	437%	442%	393%	342%	384%	203%	395%
Plan fiduciary net position as a percentage of the total pension liability	68.12%	68.27%	64.87%	66.61%	70.73%	72.85%	69.98%	84.24%	69.49%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS
OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorially required contribution	\$ 140,257	\$ 142,177	\$ 143,787	\$ 149,490	\$ 153,111	\$ 156,136	\$ 161,569	\$ 154,716	\$ 155,357
Contributions in relation to the statutorially required contribution	\$ 140,257	\$ 142,177	\$ 143,787	\$ 149,490	\$ 153,111	\$ 156,136	\$ 161,569	\$ 154,716	\$ 155,357
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 1,001,836	\$ 1,015,550	\$ 1,027,050	\$ 1,067,786	\$ 1,093,657	\$ 1,115,259	\$ 1,154,066	\$ 1,105,116	\$ 1,109,692
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

**CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023**

Schedules of Required Supplementary Information

SCHEDULE OF THE CITY OF OKMULGEE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023
City's proportion of the net pension liability (asset)	0.2912%	0.3136%	0.3048%	0.3218%	0.32896%	0.31568%	0.29621%	0.25720%	0.26988%
City's proportionate share of the net pension liability (asset)	\$ (98,054)	\$ 12,787	\$ 466,774	\$ 24,752	\$ (156,702)	\$ (20,153)	\$ 340,177	\$(1,233,806)	\$ (216,420)
City's covered-employee payroll	\$ 843,031	\$ 886,415	\$ 898,838	\$ 966,846	\$ 1,011,838	\$ 1,026,562	\$ 992,018	\$ 890,745	\$ 966,681
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.63%	1.44%	51.93%	2.56%	15.49%	1.96%	34.29%	138.51%	22.39%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	99.82%	93.50%	99.68%	101.89%	100.24%	95.80%	117.07%	102.74%

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorially required contribution	\$ 115,234	\$ 116,849	\$ 125,690	\$ 131,539	\$ 133,453	\$ 128,962	\$ 115,703	\$ 125,669	\$ 124,772
Contributions in relation to the statutorially required contribution	<u>\$ 115,234</u>	<u>\$ 116,849</u>	<u>\$ 125,690</u>	<u>\$ 131,539</u>	<u>\$ 133,453</u>	<u>\$ 128,962</u>	<u>\$ 115,703</u>	<u>\$ 125,669</u>	<u>\$ 124,772</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 886,415	\$ 898,838	\$ 966,846	\$ 1,011,838	\$ 1,026,562	\$ 992,018	\$ 890,745	\$ 966,681	\$ 959,787
Contributions as a percentage of covered-employee payroll	13%	13%	13%	13%	13%	13%	13%	13%	13%

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

CITY OF OKMULGEE, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2023

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability									
Service cost	\$ 247,470	\$ 271,726	\$ 255,184	\$ 260,852	\$ 237,433	\$ 264,892	\$ 284,771	\$ 283,211	\$ 293,628
Interest	937,098	973,139	1,003,246	1,038,654	1,062,064	1,151,623	1,258,512	1,309,183	1,377,977
Benefit changes due to plan amendments	-	-	-	-	269,784	-	-	-	-
Differences between expected and actual experience	-	(337,126)	(250,406)	(100,425)	238,296	113,186	(210,214)	6,708	(51,509)
Changes of assumptions	-	-	-	138,917	-	532,865	-	-	(557,202)
Benefit payments, including refunds of member contributions	(447,884)	(497,153)	(542,224)	(560,376)	(598,257)	(629,209)	(645,852)	(669,509)	(694,593)
Net change in total pension liability	<u>736,684</u>	<u>410,586</u>	<u>465,800</u>	<u>777,622</u>	<u>1,209,320</u>	<u>1,433,357</u>	<u>687,217</u>	<u>929,593</u>	<u>368,301</u>
Total pension liability - beginning	<u>12,063,880</u>	<u>12,800,565</u>	<u>13,211,151</u>	<u>13,676,950</u>	<u>14,454,572</u>	<u>15,663,892</u>	<u>17,097,249</u>	<u>17,784,466</u>	<u>18,714,059</u>
Total pension liability - ending (a)	<u>\$ 12,800,564</u>	<u>\$ 13,211,151</u>	<u>\$ 13,676,951</u>	<u>\$ 14,454,572</u>	<u>\$ 15,663,892</u>	<u>\$ 17,097,249</u>	<u>\$ 17,784,466</u>	<u>\$ 18,714,059</u>	<u>\$ 19,082,360</u>
Plan fiduciary net position									
Contributions - employer	\$ 315,468	\$ 307,020	\$ 302,846	\$ 314,744	\$ 291,491	\$ 257,057	\$ 291,189	\$ 328,366	\$ 341,635
Net investment income	2,036,434	398,468	124,993	1,757,695	1,163,344	1,127,882	708,790	4,853,234	(2,729,163)
Benefit payments, including refunds of member contributions	(447,884)	(497,153)	(542,224)	(560,376)	(598,257)	(629,209)	(645,852)	(669,509)	(694,593)
Administrative expense	(30,131)	(29,626)	(28,504)	(30,822)	(32,958)	(34,037)	(35,726)	(36,767)	(37,904)
Net change in plan fiduciary net position	<u>1,873,887</u>	<u>178,709</u>	<u>(142,889)</u>	<u>1,481,241</u>	<u>823,620</u>	<u>721,693</u>	<u>318,401</u>	<u>4,475,324</u>	<u>(3,120,025)</u>
Plan fiduciary net position - beginning	<u>12,419,052</u>	<u>14,292,939</u>	<u>14,471,648</u>	<u>14,328,759</u>	<u>15,810,000</u>	<u>16,633,620</u>	<u>17,355,313</u>	<u>17,673,714</u>	<u>22,149,038</u>
Plan fiduciary net position - ending (b)	<u>\$ 14,292,939</u>	<u>\$ 14,471,648</u>	<u>\$ 14,328,759</u>	<u>\$ 15,810,000</u>	<u>\$ 16,633,620</u>	<u>\$ 17,355,313</u>	<u>\$ 17,673,714</u>	<u>\$ 22,149,038</u>	<u>\$ 19,029,013</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (1,492,375)</u>	<u>\$ (1,260,497)</u>	<u>\$ (651,808)</u>	<u>\$ (1,355,428)</u>	<u>\$ (969,728)</u>	<u>\$ (258,064)</u>	<u>\$ 110,752</u>	<u>\$ (3,434,979)</u>	<u>\$ 53,347</u>
Plan fiduciary net position as a percentage of the total pension liability	111.66%	109.54%	104.77%	109.38%	106.19%	101.51%	99.38%	118.36%	99.72%
Covered employee payroll	\$ 2,604,509	\$ 2,679,058	\$ 2,642,625	\$ 2,796,579	\$ 2,855,971	\$ 2,909,438	\$ 2,988,773	\$ 3,101,024	\$ 3,173,324
Net pension liability (asset) as a percentage of covered-employee payroll	57.30%	47.05%	24.67%	48.47%	33.95%	8.87%	-3.71%	110.77%	-1.68%

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Employer Contributions

Last Nine Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	\$ 277,015	\$ 249,728	\$ 217,519	\$ 195,481	\$ 195,634	\$ 230,137	\$ 319,201	\$ 280,953	\$ 287,503
Contributions in relation to the actuarially determined contribution	307,020	302,846	314,747	279,848	257,040	289,869	327,766	340,834	349,066
Contribution deficiency (excess)	<u>\$ (30,005)</u>	<u>\$ (53,118)</u>	<u>\$ (97,228)</u>	<u>\$ (84,367)</u>	<u>\$ (61,406)</u>	<u>\$ (59,732)</u>	<u>\$ (8,565)</u>	<u>\$ (59,881)</u>	<u>\$ (61,563)</u>
Covered employee payroll	\$ 2,679,058	\$ 2,642,625	\$ 2,746,455	\$ 2,796,579	\$ 2,855,971	\$ 2,909,438	\$ 2,988,773	\$ 3,101,024	\$ 3,173,324
Contributions as a percentage of covered-employee payroll	11.46%	11.46%	11.46%	10.01%	9.00%	9.96%	10.97%	10.99%	11.00%

Notes to Schedule:

Only nine years are presented because 10-year data is not yet available.

2. Latest Valuation Date: July 1, 2022

3. Actuarially determined contribution rate is calculated as of July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021, and July 1, 2022.

FY15-16 contributions were at a rate of 9.45%

FY16-17 contributions were at a rate of 7.92%

FY17-18 contributions were at a rate of 6.99%

FY18-19 contributions were at a rate of 6.85%

FY19-20 contributions were at a rate of 7.91%

FY20-21 contributions were at a rate of 10.68%

FY21-22 contributions were at a rate of 9.06%

FY22-23 contributions were at a rate of 9.06%

4. Methods and assumptions used to determine contribution rates:

Actuarial cost method - Entry age normal

Amortization method - Level percent of payroll, closed

Remaining amortization period - 28 years

Asset valuation method - Actuarial:

Smoothing period - 4 years

Recognition method - Non-asymptotic

Corridor - 70% - 130%

Salary increases - 4.00% to 7.42% (varies by attained age)

Investment rate of return - 7.50%

CITY OF OKMULGEE, OKLAHOMA
SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES

June 30, 2023

CITY OF OKMULGEE, OKLAHOMA

Year Ended June 30, 2023

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SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

**Reports related to financial statements of the reporting entity
Required by GAO *Government Auditing Standards*:**

Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards* 1

Reports related to Federal Assistance Programs Required by the Uniform Guidance:

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance;
and Report on the Schedule of Expenditures of Federal Awards Required
by the Uniform Guidance 3

Schedule of Expenditures of Federal Awards 6

Notes to the Schedule of Expenditures of Federal Awards 7

Schedule of Findings and Questioned Costs 8

Summary Schedule of Prior Audit Findings and Questioned Costs 10



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of City Council of the City of Okmulgee, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Okmulgee, Oklahoma (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying communication of significant deficiencies letter. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates PC.

Edmond, Oklahoma
March 8, 2024





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members of the City Council
City of Okmulgee, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Okmulgee, Oklahoma (the "City"), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated March 8, 2024, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Arledge & Associates PC.

Edmond, Oklahoma
March 8, 2024



CITY OF OKMULGEE, OKLAHOMA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<i>Award Information</i>	<i>Assistance Listing #</i>	<i>Pass-Through Entity Name</i>	<i>Federal Expenditures (\$)</i>
<i>Other Programs (Treated individually for major program determination)</i>			
United States Department of Justice			
Project Safe Neighborhoods			
Project Safe Neighborhoods	16.609		\$ 66,923
Total Project Safe Neighborhoods			<u>66,923</u>
<i>Total United States Department of Justice</i>			<u>66,923</u>
Department of Transportation			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	Oklahoma Aeronautics Commission	13,000
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106	Oklahoma Aeronautics Commission	<u>32,000</u>
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			<u>45,000</u>
<i>Total Department of Transportation</i>			<u>45,000</u>
Department of the Treasury			
Coronavirus State and Local Fiscal Recover Funds			
Coronavirus State and Local Fiscal Recover Funds	21.027	Oklahoma Department of Libraries	1,032,390
Total Coronavirus State and Local Fiscal Recover Funds			<u>1,032,390</u>
<i>Total Department of the Treasury</i>			<u>1,032,390</u>
Department of Homeland Security			
Hazard Mitigation Grant			
Hazard Mitigation Grant	97.039	State of OK Department of Emergency Management	211,500
Total Hazard Mitigation Grant			<u>211,500</u>
National Dam Safety Program			
National Dam Safety Program	97.041	Oklahoma Water Resources Board	44,363
Total National Dam Safety Program			<u>44,363</u>
<i>Total Department of Homeland Security</i>			<u>255,863</u>
<i>Total Other Programs (Treated individually for major program determination)</i>			<u>1,400,176</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,400,176</u>

The accompanying notes are an integral part of this schedule

CITY OF OKMULGEE, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

NOTE A—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2023. The information in this SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The expenditures are recorded upon the disbursement of funds that meet federal award requirements.

NOTE C - INDIRECT COST RATE

The City does not have an indirect cost rate and had no indirect costs charged to the federal grants during the year ended June 30, 2023. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D—SUBRECIPIENTS

During the year ended June 30, 2023, the City did not provide federal awards to subrecipients.

NOTE E - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 8, 2024, the date on which the report on schedule of expenditures of federal awards required by the uniform guidance were available to be issued. No items of significance were determined.

CITY OF OKMULGEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section I--Summary of Auditor's Results

Financial statements

Type of auditor's report issued on whether the financial statements were in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

Federal AL Number
21.027

Name of Federal Program or Cluster
Coronavirus Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF OKMULGEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

Finding 2023-001 – Cash Monitoring

Criteria: Internal controls over cash reconciliation should timely prevent, and/or detect and correct errors relating to timing differences of general ledger activity versus bank activity. Cash should be timely reconciled and long outstanding reconciling items should be investigated to determine the validity of the reconciling item.

Condition: The City’s internal controls over cash monitoring were lacking, as the City was not investigating reconciling items upon completion of the bank reconciliations.

Cause and Effect: Although the City in most cases did reconcile its various cash accounts within trivial differences and reviews occurred, there were instances identified where follow up efforts in determining the cause of long outstanding reconciling items that had not yet cleared the bank. As a result, the following errors were identified during audit fieldwork:

- Approximately, \$46,000 variance exists as of June 30, 2023 between the bank reconciliation’s ending cash balance and the recorded cash value per the general ledger.
- Outstanding reconciling items dating back to 2012 have not been investigated and cleared from bank reconciliations and were still outstanding upon the completion of audit fieldwork.

Recommendation: We recommend the city review its outstanding reconciling items timely and investigate differences that remain outstanding monthly.

Management Response: To address the audit finding we have developed a clear plan for prompt implementation. This includes conducting a thorough review of all outstanding reconciling items and establishing a systematic process for timely investigation and resolution of reconciling items. The City remains dedicated to upholding the higher financial accountability standards, and we are confident that these actions will rectify the identified deficiencies.

B. Compliance Findings

No findings to report under this section.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

A. Internal Control

No findings to report under this section.

B. Compliance Findings

No findings to report under this section.

CITY OF OKMULGEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

A. Internal Control

There are no prior findings requiring reporting under this section.

B. Compliance Findings

There are no prior findings requiring reporting under this section.

Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:

A. Internal Control

There are no prior findings requiring reporting under this section.

B. Compliance Findings

There are no prior findings requiring reporting under this section.